Inside: Equal Access • Focus on Cameras

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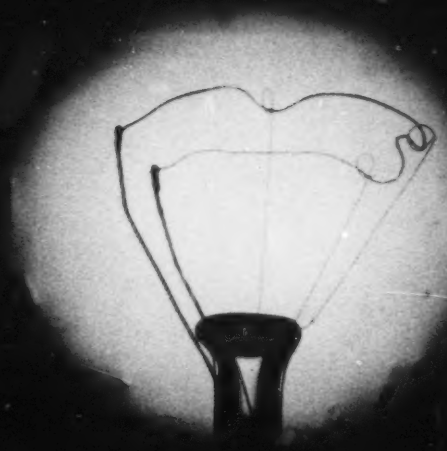
FEBRUARY 1985

Incentive Marketing

INCENTIVE TRAVEL



1985 RESOURCE GUIDE

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- LEGAL UPDATE
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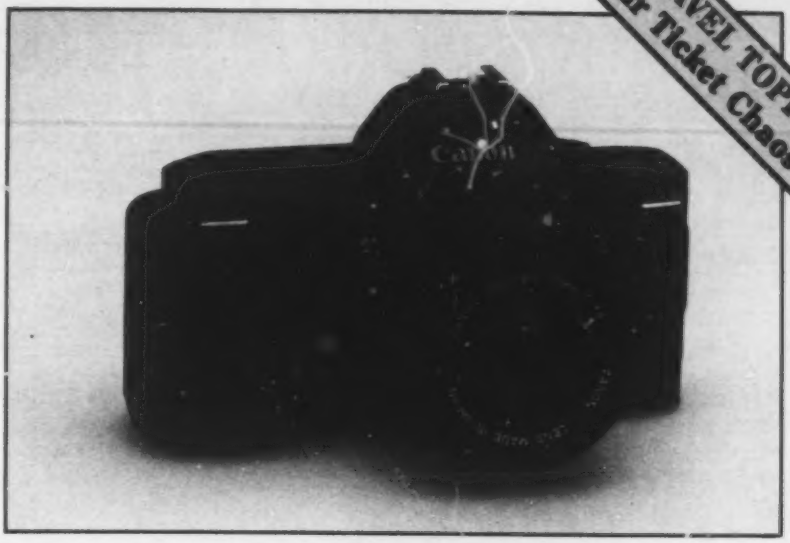
TRAVEL TOPICS: Air Ticket Chaos?

February 1985



This month's IM product focus is on cameras—long one of the most popular merchandise categories in the incentive market. See page 23 for details.

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- How to use the guide. A new in-house computer system has enable IM to offer additional information on products and services available to incentive users.

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A strong economy helps boost incentive use and assures better results.

Incentive Overview

Incentive usage increased almost across-the-board in 1984, apparently spurred by a prosperous economy. According to the 1984 IM FACTS survey, U.S. companies spent $11.83 billion on incentive programs in 1984, a 19.9-percent increase from the $10.44 billion spent in 1983. Continued economic vitality in 1985 would appear to ensure another active year for incentive marketers.

The consumer promotion category remains the largest segment of the field, as marketers spent $5.68 billion last year to help woo the buying public. Use of mail-in promotions rose 11.5 percent to $1.7 billion, and direct premium use gained 11.2 percent to $1.65 billion.

Like other suppliers, retailers hiked promotional activity last year, with general premium use up 14 percent to $1.78 billion and trading stamp volume up 4.5 percent to $554 million.

Trade incentives to motivate salespeople and dealers showed strong activity in 1984, as the combined outlay rose 16.6 percent to $5 billion. Sales incentive usage gained 19.9 percent to $2.98 billion from $2.49 billion, and dealer incentive spending rose 12.2 percent to $2.04 billion from $1.82 billion.

Use of business gifts continued to rise, up 8.5 percent to $1.1 billion in 1984.

Trickle-down promotions. Consumer premium usage, while relatively robust last year, did not grow as vigorously as trade incentives. Nonetheless, the 11.4-percent growth recorded in 1984 was strong compared with growth rates of 7.3 percent and 2.5 percent in 1983 and 1982, respectively. In addition to spending more for consumer promotions last year, marketers increased their frequency, with the median number per survey respondent reaching nearly four last year versus three the year before. Respondents used an average of 4.6 mail-in offers last year and 5.6 direct premium programs.

THE INCENTIVE FIELD AT A GLANCE

	1983 EXPENDITURES	% CHANGE	1984 EXPENDITURES	% CHANGE
	(ALL FIGURES IN THOUSANDS—"000" OMITTED)			
SALES INCENTIVES	$2,489,169	7.7	$2,984,320	19.9
Merchandise	1,892,694	7.5	2,260,834	19.5
Travel	596,475	8.2	723,486	21.3
DEALER INCENTIVES	$1,823,227	7.4	$2,045,792	12.2
Merchandise	1,207,834	7.6	1,345,576	11.4
Travel	615,393	7.1	700,216	13.8
MERCHANDISE TOTAL	$3,100,528	7.5	$3,606,410	16.3
TRAVEL TOTAL	$1,211,868	7.6	$1,423,702	17.5
TRADE TOTAL	$4,312,396	7.6	$5,030,112	16.6
BUSINESS GIFTS	$1,034,000	8.0	$1,122,164	8.5
CONSUMER PREMIUMS				
Product Promotion:	$3 009,721	7.3	$3,352,402	11.4
• Mail-In Offers	1,524,432	6.8	1,700,310	11.5
• Direct Premiums	1,485,289	7.8	1,652,092	11.2
Retail Promotion:	$2,084,000	3.8	$2,326,000	11.6
• Trading Stamps	530,000	4.5	554,000	4.5
• Other Retail Premiums	1,554,000	3.5	1,772,000	14.0
CONSUMER TOTAL	$5,093,721	5.8	$5,678,402	11.5
TOTAL USAGE	**$10,440,117**	**6.8**	**$11,830,678**	**13.3**

In the retail category, supermarkets garnered an important share of the market. Tracked separately by the Association of Retail Marketing Services (ARMS), supermarket continuity programs last year accounted for about $558 million in spending by grocery retailers, surpassing the total of trading stamp programs by a slim $4 million. Between them, the two types of promotions represent about 48 percent of total retail marketing expenditures. Banks and savings and loan associations, another important retail user, last year spent $118 million on consumer offers, up about 7.5 percent from $109.9 million in 1983.

Just as food retailers dominate the retail promotion category, food product manufacturers completely dominate product promotion premiums. Food products suppliers last year spent $937 million on premium promotions, representing 28 percent of the entire consumer premium field and a 12.3-percent gain over 1983.

Pumping sales. The strong growth in sales incentive usage last year suggests that marketers put extra emphasis on pushing their sales forces to get out and sell. The results reported from survey respondents in 1984 suggest that this strategy paid off. Average sales gains of 20 percent reportedly resulted from their sales incentive programs. Respondents said they spent 9 cents of every dollar of incremental sales on their incentive programs.

The gain in sales incentive expenditures last year appears to have resulted from a larger number of qualifying salespeople rather than from increased award allocations. The qualification rate rose to 44 percent last year, up from only 39 percent in 1982 but lower than the high of 54 percent reported in 1981.

About 78 percent of 1984 spending went to merchandise awards and 22 percent was earmarked for travel. Travel outlays grew slightly more than merchandise spending—21.3 percent versus 19.5 percent.

A surprising 35 percent of sales incentive users said they used no other motivational tools last year.

Dealing awards. Recent annual increases in expenditures on dealer motivation programs remained at sluggish levels until 1984, when overall usage gained over 12 percent. The automotive industry led the way, and the insurance industry and electronics, radio and television categories also spent significantly more.

Wholesalers and distributors were the incentive target of 49 percent of respondents in a special July 1984 **IM** survey, followed by retailers (43 percent) and service contractors (29 percent).

Dealer programs apparently bore fruit last year, yielding average sales increases of 16.9 percent. In 1983, respondents reported 15.7-percent average sales gains resulting from such programs, compared with an 11-percent sales growth in 1982 and even less growth in 1981.

Companies invested about 10 percent of incremental sales into their dealer programs, a decline of a percentage point from the year before. The qualification rate went over the 50-percent mark for the first time in several years. The overall average cost of dealer merchandise programs was $125 per recipient this year, compared with $178 the year before. About 55 percent of users' eligible audiences received merchandise awards this year, up from 49 percent the year before. About two-thirds of overall dealer expenditures were devoted to merchandise awards, and overall merchandise usage in this category gained 11.4 percent. ■

TOP 10 CONSUMER PREMIUM USERS (1984)